

<p align="center">2003-2004 ANNUAL REPORT</p>

SPECIAL REVENUE FUNDS (CONT'D.)

Workforce Investment Act Fund

The Workforce Investment Act is a federal program that provides primary employment and training services to dislocated and low-income residents. This fund is a memo fund to the General Fund for governmental accounting purposes.

Workforce Investment Act Fund

	Budget	Actual	Variance	Percent Variance
<i>Revenue</i>	\$ 21,207	\$ 11,498	\$ (9,709)	(45.8%)
<i>Expenditure</i>	21,513	14,035	7,478	34.8%
<i>Fund Balance (est. *)</i>	- *	(2,232)	(2,232)	N/A

On July 1, 2000 the Workforce Investment Act (WIA) replaced the Job Training Partnership Training Act (JTPA), and the City of San José assumed administration and fiscal liability for this program. There are three categories of funding under WIA which correspond to the three populations being served: Adult, Dislocated Worker, and Youth. San José's Workforce Investment Area receives grants from the State and federal governments for these three categories. A fourth category, Welfare-to-Work, a special program funded by the U.S. Department of Labor, intended to assist the hardest to serve of those individuals in the welfare system, was rescinded in March 2004.

The variance between revenues and expenditures primarily reflects the timing difference in expense and revenue recognition. Many programs, such as the Regional Technology Employment Consortium (RETEC), Technology to Teaching Grant (Tech to Teach) and Rapid Response are funded for multiple years. The RETEC program ended in March 2004.

The fund ended the year with a negative unrestricted ending fund balance of approximately \$2.2 million due to the accounting treatment of federal reimbursements due to this program. The negative balance reflects the late posting of revenue and carryover encumbrances for committed expenses at the end of 2003-2004. Because revenue is received by the fund on a reimbursable basis, at year end, there was insufficient revenue recognized to the fund to cover the encumbered amount. Under the current WIA contract with the State, expenses will only be reimbursed when funds are actually spent, not just committed. When the encumbered amounts are actually expended, the revenue will become available to cover the costs.